

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 94-629-W - ORDER NO. 95-502✓
March 1, 1995

IN RE: Application of David Polson d/b/a)	ORDER
Ralph's MHP Requesting Approval of)	ESTABLISHING
Establishment of Water Rates and)	SERVICE AREA
Charges for its Service Area in)	AND APPROVING
Richland County, South Carolina.)	RATES

By Application filed August 31, 1994, David Polson d/b/a Ralph's MHP (Ralph's MHP or the Company) seeks approval to operate a water system and to implement a schedule of rates for water service provided to its customers in Richland County, South Carolina. The Application was filed pursuant to S.C. Code Ann. §58-5-240 (Supp. 1993) and 26 S.C. Regs. §103-821 (1976).

Subsequent to the initiation of this proceeding, the Executive Director of the Commission instructed the Company to cause to be published a prepared Notice of Filing in certain newspapers of general circulation in the area affected by the Application and to furnish the same information to each customer. The Notice of Filing indicated the nature of the Application and advised all interested parties desiring to participate in the proceeding of the manner and time in which to file the appropriate pleadings. Petitions to Intervene were filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate)

and Elaine James.

A public hearing was held in the hearing room of the Commission on February 2, 1995, at 10:30 a.m. The Honorable Rudolph Mitchell, Chairman, presided. Ralph's MHP was not represented by counsel. Elliott F. Elam, Jr., Esquire, represented the Consumer Advocate, and Florence P. Belser, Staff Counsel, represented the Commission Staff. Elaine James did not appear at the hearing.

David Polson testified in support of the Application. Mr. Polson testified that he bought the water system in 1991, and that at the time he bought the system, he did not know that the system was subject to regulation by the Commission. Mr. Polson testified that he charged a flat rate of \$20.00 per month for water service until July 1994 when he increased the rate to \$25.00 per month. Mr. Polson stated that he is the sole employee of the utility, and that he performs all maintenance and service on the system.

According to Mr. Polson, the system has one well with a two thousand gallon storage tank. Mr. Polson testified that he upgraded the pump on the well from a two horsepower (2 HP) pump to a five horsepower (5 HP) pump, and that he replaced approximately 900 feet of pipe that was damaged by a bulldozer. The system currently has twenty-one customers on it, and it is permitted by the Department of Health and Environmental Control (DHEC) for twenty-six (26) customers.

Mr. Polson testified that he is requesting a \$25.00 per month flat rate. According to the income and expense statement filed

with the Application and the testimony presented at the hearing, the Company's yearly expenses are approximately \$3,994.09. Mr. Polson also requested a reconnection charge of \$40.00.

After a thorough examination of the Application, the other evidence of record, and the applicable law, the Commission makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. The Company is a public utility operating in the State of South Carolina and is subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §58-5-10 et seq. (1976), as amended.

2. The Company provides water service to twenty-one (21) customers in Richland County, South Carolina near Eastover, South Carolina.

3. The present case is an establishment case as the system has not had rates previously established by the Commission. The Company requests a monthly flat rate of \$25.00 per customer.

4. An examination of the proposed rates of the Company show that if the Commission grants the rates as proposed, the rates would be excessive and unreasonable.

5. The Commission finds that an appropriate operating margin of 22.56% is reasonable in light of the income and expenses of the Company.¹

1. This operating margin includes the recovery of the annual DHEC charge pursuant to S.C. Code Ann., §44-55-120 in rates.

CONCLUSIONS OF LAW

1. Pursuant to S.C. Code Ann. §58-5-10 et seq. (1976), as amended, the Company is a public utility, as it sells water service to the public for compensation, and as such is subject to the regulatory authority of the Commission to supervise and regulate rates and service of the public utilities of this State.

2. The Commission exercises general supervisory and regulatory jurisdiction over public utilities such as Ralph's MHP in respect to approval of service area and establishment of rates and charges pursuant to the following statutory mandate:

§58-5-210. Supervision and regulation of rates and service.

The Public Service Commission is hereby, to the extent granted, vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the power, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State and the State hereby asserts its rights to regulate the rates and services of every "public utility" as herein defined.

S.C. Code Ann. §58-5-210 (1976).

3. The Commission finds and concludes that there is a need for water service in the area of Richland County where Ralph's MHP seeks approval of a service area. The Commission further concludes that Ralph's MHP is fit, willing, and able to provide the proposed water service in the requested service area. The Company's service area shall consist of the area known as Ralph's Mobile Home Park in the Southern Pines Subdivision in Richland County, South Carolina

near Eastover, South Carolina. (See, Application of the Company, Enclosure No. 1.) The Company currently serves twenty-one (21) customers in its service area. (Application of the Company and Testimony of Mr. Polson.)

4. Under the guidelines established in the decisions of Bluefield Waterworks and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923), and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this Commission does not ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in Hope, a utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and . . . that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

5. The three fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed

to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates (1961), p. 292.

In applying the above-referenced principles, the Commission must balance the interests of the utility--the opportunity to make a profit while providing adequate service--with the interests of its customers--to receive adequate service at a fair and reasonable rate.

6. Based on the considerations enunciated in Bluefield and Hope, on the fundamental criteria of a sound rate structure as stated in Principles of Public Utility Rates, and the evidence of record, the Commission determines that the appropriate operating margin for the Company is 22.56%.² In order to have a reasonable opportunity to produce a 22.56% operating margin, the Company will need to produce \$5,544 in annual operating revenues.

7. In order to produce the necessary operating revenues, the Commission approves a flat monthly rate of \$22.00 per month. The Commission also approves a reconnection charge of \$40.00. The approved schedule is set forth in Appendix A, which is attached hereto and incorporated herein by reference.

IT IS THEREFORE ORDERED THAT:

1. Ralph's MHP is granted a Certificate of Public Convenience and Necessity to operate as a water utility in Richland County,

2. This operating margin includes the recovery of the annual DHEC charge pursuant to S.C. Code Ann., §44-55-120 in rates.

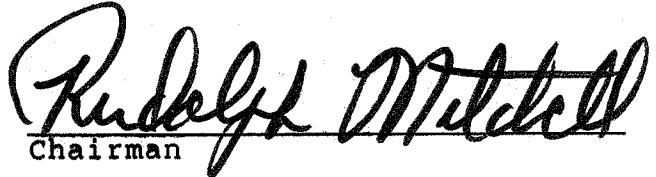
South Carolina.

2. The schedule of rates and charges for Ralph's MHP, as set forth in Appendix A, is approved and may be charged for service rendered on or after the date of this Order.

3. Ralph's MHP shall maintain its books and records for its water operations in accordance with the NARUC System of Accounts for Class C Water Utilities.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

APPENDIX A

RALPH'S MHP
1053 KIRKBrook LANE
HOPKINS, S. C. 29061
(803) 776-3297

FILED PURSUANT TO:

DOCKET NO. 94-629-W

ORDER NO. 95-502

EFFECTIVE DATE: MARCH 1, 1995

WATER SERVICE

MONTHLY SERVICE CHARGE - FLAT RATE-----	\$22.00*
RECONNECTION CHARGE-----	\$40.00

*INCLUDES SOUTH CAROLINA DEPARTMENT OF HEALTH AND
ENVIRONMENTAL CONTROL'S (SCDHEC) SURCHARGE